Why do we test the OCS?

In accordance with Government Auditing Standards, financial statement audits include reporting on compliance with provisions of laws, regulations, contracts, and grant agreements that have a material effect on the financial statements.

AICPA Auditing Standards (AU-C 250) provides guidance on the auditor’s responsibility to consider laws and regulations in an audit of financial statements.
The “AOS” has audited public offices compliance with legal requirements since
- 2002
- 1976
- 1942
- 1902

Ohio Compliance Supplement
Guidance in the OCS is not “all inclusive”. Know your legal requirements!
- ORC / OAC
- Leases
- Debt Covenants
- Contracts
- Consult with your Legal Counsel

Ohio Compliance Supplement
- Review entire Ohio Compliance Supplement!
- Become familiar with the requirements and testing procedures so you know what the auditors might ask for. (legal matrices good place to start)
- Even if the law has been around a long time, changes can occur, and amended guidance and procedures may be included.
The OCS uses double underlining to indicate new or revised legislative or accounting standard requirements.

The OCS uses waved underlining to highlight:
- Pre-existing laws we have now determined auditors should test (i.e., requirements not appearing in former OCS editions).
- New or amended guidance. Most of these changes represent information we believe will enhance understanding compliance auditing or reporting.

The OCS uses strikeout font to indicate replaced or omitted legislative requirements. We have not deleted these sections since they may still apply to part of an audit period. Also, retaining this information will help users better understand the changes.

Ohio Compliance Supplement

- Where is it located?
  - Auditor of State’s website
  - Resources / Publications & Manuals

http://www.ohioauditor.gov/references/compliancemanuals.html

Where do I find it?
Resources / Publications & Manuals
Where do I find it?

Ohio Compliance Supplement Implementation Guide (PDF)
- Exhibit 3 Compliance ACE (Microsoft Word)

Ohio Compliance Supplement Manual (PDF)
- Chapter 1 - Direct Laws (PDF) (Microsoft Word)
- Chapter 2 - Indirect Laws and Statutorily Mandated Tests (PDF) (Microsoft Word)
- Chapter 3 - Stewardship (PDF) (Microsoft Word)

Optional Procedures Manual (Microsoft Word)
OCS Implementation Guide

• Guide for Legal Compliance Auditing in Ohio
• Includes a lot of information and guidance

Table of Contents
IMPLEMENTATION GUIDE FOR LEGAL COMPLIANCE AUDITING IN OHIO

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2018 IG Changes

- Exhibit 6 Entities not included
  - Entity types which have NOT been considered for the applicability of OCS steps
  - Reference purposes
    - Regional Library Systems  ORC 3375.90

OCS Chapters

- Chapter 1: Direct Laws
- Chapter 2: Indirect Laws & Statutorily Mandated Tests
- Chapter 3: Stewardship - Laws of significant public interest
2018 Chapter 1 Changes

1-17: Annual financial reporting – clarified testing for AOS
Annual Financial Statement Filing Inquiry Form (refile)
1-19: Health care self-insurance – added link to Self
Insurance Table from Bulletin 2001-005.
1-20: Liability Self Insurance – limited updates.
1-24: Definitions, rates of contributions, etc. – clarified
guidance regarding PERS earnable salary
1-25: Permanent Endowment Funds – added guidance for
UPMIFA (Uniform Prudent Management of Institutional
Funds)

2018 1-25 UPMIFA

Obtain supporting documentation for any material
endowments. The activity may be recorded in
- Private Purpose Trust Fund
- Permanent Fund
- Special Revenue Fund
- General Fund

If the government wants to release or modify more than
5% of any of the “non-spendable” portions
- Review any applications/approvals from appropriate courts
- Determine if limitations on time and/or totals were adhered to
- Determine if the uses are consistent with expressed purposes.

2018 Chapter 2 Changes

2-22: Fraud, Abuse, Conflict of Interest,
Ethics – The Attorney General maintains a
listing of incompatible public offices.
2-23: Availability of public records – added
some exempt items certain competitive bid
information and certain public depository
information.

www.ohioauditor.gov
2017 Chapter 3 Changes

3-5: Bonding Requirements- clarified guidance.
- 3375.32 Clerk
- 3375.36 Deputy Clerk
- Both required to give bond (no amount specified by law)

Optional Procedure Manual

The Auditor of State intends to select a few audits randomly each year, to test requirements listed in the OCS Optional Procedures Manual (OPM). The omission of these requirements from testing does not lessen a government’s responsibility for compliance and for instituting controls it believes are necessary to assure compliance with any laws and regulations that apply to the government.

Library OPM

- O-3 allocating interest
- O-18 Procedure for bidding and letting of contracts over $50,000
- O-22 Various – use of government credit/purchasing cards
- O-23 Municipal securities
  - The term Municipal Security refers to any local government security, not just those municipalities issue, pursuant to 15 U.S.C. § 78c(a)(29).
## OCS Matrices

See Attached


### Conclusion of facts as part of the audit process

- Noncompliance citations
- Findings for abuse
- Findings for adjustment
- Findings for recovery
Note

I am not a licensed attorney-these violations were noted from our executive summary portal based on information input-I can't attest to the accuracy or the applicability to your particular library type.

If you have legal related questions-they need addressed to your legal counsel.

1- Ohio Admin. Code Section 117-8-02

Issue

- Appropriations in system don't equal what passed
- Expenditures > appropriations

Solution

- Match up system reports to what is passed
- Run budget vs actual reports
- Provide system reports to the board

2-Ohio Rev. Code § 117.38

Issue

- Failure to file complete report by deadline
- Note deadline per HINKLE System
- Verify report is submitted on HINKLE
- Request extension only if qualify

Solution
3-Ohio Rev. Code § 149.43

**Issue**
- Availability of public records and related policies

**Solution**
- Public records policy needs displayed
- Needs to be displayed in each branch
- Policy adopted by Board

---

4-Ohio Rev. Code § 117.103 (B) (1)

**Issue**
- Provide employees notice of Ohio fraud reporting system

**Solution**
- Maintain documentation to prove notice given (personnel file)
- AOS website has model form

---

5-Ohio Rev. Code § 135.22

**Issue**
- Investment Training

**Solution**
- Obtain required training, or
- Provide annual notice of training exemption to the AOS
6-Ohio Rev. Code § 135.14 (O)(1)

Issue
• Investment Policy

Solution
• Obtain required signatures
• File current investment policy with AOS

7-Ohio Rev. Code § 5705.41(D)

Issue
• Failure to properly encumber expenditures

Solution
• Then and Now Certification
• Blanket Certificates
• Approved Maximum Required
• Super Blanket Certificates

8-Ohio Admin. Code § 117-2-02

Issue
• Accounting records incomplete
• Capital asset records incomplete

Solution
• Reconcile and present to board at monthly meetings
• Have board formally approve a capitalization threshold and verify asset records are complete
9-26 USC IRC violations

Issue
- 1099 not issued
- Cash bonuses not on W-2
- Late remitting withholdings

Solution
- Issue 1099 if pay more than $600
- Include all compensation on W-2
- Pay withholdings timely could be fine for penalty and interest

10-Ohio Rev. Code § 121.22(G)

Issue
- Executive Sessions

Solution
- Need to record in the minutes the reason
- Remember no official action can be taken in executive session

11-Ohio Rev. Code § 9.38

Issue
- Monies not timely deposited (day following receipt)

Solution
- “Treasurer or Designated Depository”
- Can adopt a policy allowing longer time period up to three days if under $1,000
AOS Bulletins

- No Bulletins issued since 4/21/17
- This space reserved to discuss any new Bulletins issued after Feb 14, 2018

AOS Bulletin 2016-004

- Supersedes Bulletin 2016-003
- Issued Sept 13, 2016
- Provides amended guidance
  - Credit card cash withdrawals
  - Credit card internal controls

AOS Bulletin 2016-004

- Credit card use is subject to potential abuse
- Especially cash withdrawals
- Exercise the utmost care and diligence in authorizing and permitting credit card usage, particularly when cash withdrawals are involved
- All public entities should develop, maintain, and strictly apply appropriate authorization and tracking controls incident to credit card usage, again with particular emphasis on cash withdrawals
HELP

- Other Entities
- Manuals / Handbooks
- Associations
- AOS Regional Offices
- Your Legal Counsel
- AOS Website
- Webinars

Help

HELP

- Other Entities
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- Associations
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- Your Legal Counsel
- AOS Website
- Webinars

Manuals / Handbooks

- Available on AOS Website
  - Same location as the Ohio Compliance Supplement
- Several Manuals / Handbooks, for example:
  - Audit Committee Toolkit
  - Best Practices
    - Sept 2016 positive pay

Manuals / Handbooks

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    - Sept 2016 positive pay

Office Publications

- Available on AOS Website
  - Same location as the Ohio Compliance Supplement
- Several Manuals / Handbooks, for example:
  - Audit Committee Toolkit
  - Best Practices
    - Sept 2016 positive pay
Cybercrimes
- Ransomware
- Phishing
- Spear-phishing
- Whaling

Trainings & Conferences

The Auditor of State's Office provides educational opportunities to keep Ohio's local government officials up-to-date on Ohio law.

Continuing Education & Trainings

Past-Conference Materials

<table>
<thead>
<tr>
<th>Description</th>
<th>Media Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ohio Public Records Act Audit Team</td>
<td>Video</td>
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<tr>
<td>Improving Elected Officials and Employees</td>
<td>Video</td>
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<tr>
<td>Constitution Office Conference</td>
<td>Video</td>
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Always Remember………
Auditors are here to help!!

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